Jacqui Russell
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email to: smartmetering@ofgem.gov.uk

27 November 2020

Dear Jacqui

Consultation on increasing DCC's revenue at risk against the Operational Performance Regime (OPR)

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind and solar generation, as well as coal and gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users.

EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We agree that the DCC's revenue at risk under the OPR should be increased. At the very least the additional revenue that the DCC is able to achieve through all of its incentive schemes should be placed at risk for poor operational performance. Making the amount at risk the total of DCC's Baseline Margin (BM) and External Contract Gain Share (ECGS) is an improvement on the status quo, and preferable to the option of increasing the revenue at risk against the contract management incentive to be equal to ECGS.

However, this is still not reflective of the impact that poor operational performance by the DCC has on its users, and especially on energy suppliers. Failure by the DCC to meet its operational targets, especially those covered by the revised OPR scheme, has a direct impact on suppliers and their consumers. Even with the proposed increase, the amount at risk is unlikely to reflect the consequential impact that poor performance has on suppliers and the costs they incur. Ofgem should consider whether placing 100% of revenue at risk is sufficient to drive desired operational performance and service, and whether DCC should be able to make a loss as a result of very poor operational performance.

We continue to be concerned by the proposed weighting between the three components of the OPR. To reflect the detrimental user and end consumer impact of poor system performance, it

EDF Energy
90 Whitfield Street
London W1T 4EZ
Tel +44 (0) 00 0000 0000
Fax +44 (0) 00 0000 0000

would be more appropriate for the margin at risk for system performance to be increased to 80%. The remaining two measures, contract management and customer engagement, should therefore be split equally at 10% each.

We agree that the ECGS mechanism should be extended to include activities and contracts that were not included in the original External Service Provider Contracts. Without the incentive of the ECGS, DCC may not actively seek cost reductions in relation to these activities. It must, however, be ensured that any cost savings that the DCC claims are real and will be passed through to DCC users. We are reliant on Ofgem to closely scrutinise any claims through the price control process and verify that any amount claimed under the ECGS mechanism is justified.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Tania Rameswaran, or myself.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

Martin Aylward
Head of Smart Metering Programme